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BY E-MAIL

June 6, 2013

Ms. Margaret Nanninga
Vice-President - Finance
Kitchener-Wilmot Hydro Inc.
P.O. Box 9010, 301 Victoria Street South
Kitchener ON N2G 4L2

Dear Ms. Nanninga:

**Re: Kitchener-Wilmot Hydro Inc.
Application for 2014 Rates
Application Board File Number EB-2013-0147**

A preliminary review of the application has identified that certain sections of the evidence supporting the application do not comply with the Board's Filing Requirements¹ for cost of service applications and/or the associated spreadsheets, models and work forms. As a result, the Board is unable to process your application at this time.

The missing information includes:

Chapter 2 Filing Requirement Reference (page no.)	Description
5	A statement is to be provided as to when the forecast was prepared and when it was approved by the utility's management and/or Board of Directors for use in the application.

¹ Chapter 2 of the *Filing Requirements for Electricity Transmission and Distribution Applications*, dated June 28, 2012 and subsequent Board communications. This has been used, at this time, for assessing your application for 2014 rates effective January 1, 2014.

<p>31 and 32</p>	<p>The applicant must complete Appendix 2-N in relation to each service provided or received for the Historical (actuals), Bridge and Test years. The table found in Appendix 2-N must be completed for each year. (page 31) and</p> <p>Variance analyses, with explanations, are required for the following: 32</p> <ul style="list-style-type: none"> • Test Year vs. Last Board-approved Rebasing Application; and • Test Year vs. Most Current Actuals. (pages 31-32) <p>Kitchener-Wilmot Hydro Inc. (“KWHI”) has only provided Appendix 2-N for the 2013 bridge and 2014 test years, and states that there were no costs allocations done to the parent or affiliated company in 2010-2012. KWHI has not provided explanation as to why the corporate cost allocation only begins in 2013.</p>
<p>32-33</p>	<p>It is not clear in Exhibit 4/Tab 7/Schedule 1 which accounting standard is being used, particularly for 2012. Table 4-20 differentiates the depreciation/amortization rates between CGAAP and MIFRS, and Table 4-21 provides 2012 under both CGAAP and MIFRS. However, KWHI’s 2012 audited financial statements provided in Exhibit 1/Tab 3/Schedule 1 document that KWHI changed its depreciation rates as of January 1, 2012 while remaining under CGAAP (i.e., modified CGAAP).</p>
<p>33</p>	<p>Section 2.7.7 of Chapter 2 of the Filing Requirements states: ...</p> <ul style="list-style-type: none"> • For an applicant that files a 2013 cost of service application on the basis of MIFRS or adheres to IFRS requirements with respect to depreciation and capitalization: <ul style="list-style-type: none"> ○ If an applicant chooses to adopt IFRS for financing reporting in 2012, the applicant must complete Appendix 2-CA to Appendix 2-CD (inclusive). ○ If an applicant chooses to adopt IFRS for financial reporting in 2013, the applicant must complete Appendix 2-CE to Appendix 2-CH (inclusive). <p>Recognizing that KWHI has filed a 2014 cost of service application, but utilizing the current Filing Requirements designed for 2013 cost of service, KWHI has filed appendices 2-CA, 2-CB, 2-CC and 2-CD, while its adoption of (M)IFRS is for January 1, 2013 for regulatory but not for financial reporting purposes. It is not clear what, if any changes, KWHI has made to the appendices or if these are applicable and appropriate for KWHI’s application.</p>

46	<p>Section 2.11.5 Specific Service Charges of Chapter 2 of the Filing Requirements states:</p> <p>...</p> <p>If the distributor is requesting either a new specific service charge or a change to the level of an existing charge, it should describe the purpose of the charge and provide calculations supporting the determination of the charge including the following elements:</p> <ul style="list-style-type: none"> • Direct labour (internal and/or external); • Labour rate (internal and/or external); • Burden rate; • Incidental (e.g. postage for mail); and • Vehicle time and rate (if applicable). <p>In Exhibit 3/Tab 1/Schedule 9, KWHI has proposed one new Specific Service Charge and changes to three existing Specific Service Charges. KWHI has proposed charges at or below the standard charges listed in Schedule 11.1 of the 2006 Electricity Distribution Rate Handbook, instead of the cost-based analysis required under section 2.11.5 of the Filing Requirements.</p>
General	<p>While KWHI has made no claims for confidentiality, the Board notes that five documents filed as attachments in the application have an identification of confidentiality or restricted publication. These documents are as follows:</p> <ul style="list-style-type: none"> • Exhibit 1/Tab 3/Schedule 6/Attachment 1 <ul style="list-style-type: none"> ○ This is the Customer Satisfaction Survey report of UtilityPULSE for Kitchener-Wilmot Hydro. Page 2 of the report states: “This is privileged and confidential material and no part may be used outside of Kitchener-Wilmot Hydro without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.” • Exhibit 2/Tab 4/Schedule 2/Attachment 1 (attachment to KW Hydro’s Asset Management Strategy) <ul style="list-style-type: none"> ○ Cover Page is marked Confidential for “Kitchener Wilmot Hydro Inc., Asset Management Review, (prepared) May 2009, Prepared and Submitted by (AESI Inc. Neil Sandford) • Attachment 2/Tab 7/Schedule 1/Attachment 1 <ul style="list-style-type: none"> ○ The cover page of KW Hydro’s GEA Plan, revised April 22, 2013, is marked “Private and Confidential”

	<ul style="list-style-type: none">• Following Exhibit 4/Tab 4/Schedule 1/Attachment 2 (a copy of Appendix 2-K) is “Kitchener-Wilmot Hydro Inc. Report On The Actuarial Valuation Of Post-Retirement Non-Pension Benefits As At January 1, 2011 FINAL—February 15, 2012” which is marked “Confidential for Discussion Purposes Only”. • Exhibit 4/Tab 7/Schedule 1/Attachment 2<ul style="list-style-type: none">○ This is the Typical Useful Lives study conducted by Kinectrics for Kitchener-Wilmot Hydro, Waterloo North Hydro, Cambridge & North Dumfries Hydro and Guelph Hydro, and is marked “Confidential & Proprietary Information Contents of this report shall not be disclosed without authority of client.” <p>KWHI should confirm that the documents are to be placed on the public record in its application and should, where practicable, omit confusing labeling on the sensitivity of such documents.</p>
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The Board expects that KWHI will file the above listed required information as soon as possible.

If any of the information that is identified as missing is located in sections other than those identified in the Filing Requirements, or if any of the information is not applicable in your circumstances, please provide an explanation when filing the remainder of the required information.

Please direct any questions relating to this application to Keith Ritchie, Project Advisor at 416-440-8124 or Keith.Ritchie@ontarioenergyboard.ca.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary